

Message Text

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SUBJECT: GROWING DOMESTIC CONCERN IN FRG OVER OIL SITUATION

1. SUMMARY. PUBLIC ATTENTION ON THE FRG'S OIL SUPPLY SITUATION HAS BEEN MORE SHARPLY FOCUSED IN THE PAST WEEK AS INDICATED BY INCREASED PRESS COVERAGE. IN ADDITION RECENT ECONOMIC DEVELOPMENTS RELATED TO THE MIDDLE EAST SITUATION INDICATE INCREASED PRIVATE SECTOR CONCERN FOR THE IMPACT OF THE ARAB OIL PRODUCTION CUTBACKS ON THE FRG ECONOMY. THE RESULTING MOOD IN THE FRG HAS CHANGES MARKEDLY OVER THE PAST FEW WEEKS AND HAS BECOME ONE OF MARKED CONCERN, AS THE FULL IMPACT OF THE SITUATION GRADUALLY SINKS
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IN. END SUMMARY.

2. LIBYA'S REQUEST FOR A CLARIFICATION OF THE FRG'S ATTITUDE TOWARD THE MIDDLE EAST; THE RESULTS OF THE NOVEMBER 5 KUWAITI MEETING(WHICH WAS REPORTED BY ONE MASS CIRCULATION DAILY AS INDICATING AN ATTEMPT TO FORCE THE FRG TO ITS KNEES;) THE FEDERAL GOVERNMENT'S REQUEST FOR AUTHORITY TO IMPLEMENT EMERGENCY MEASURES TO DEAL WITH AN OIL SHORTFALL; AND DEVELOPMENTS WITHIN THE EC CONTEXT, HAVE COMBINED TO KEEP THE FRG'S PRECARIOUS OIL SITUATION ON THE FRONT PAGES OF MOST GERMAN PAPERS FOR THE PAST WEEK. APPEARING WITH THESE DAILY STORIES, HAVE BEEN NUMEROUS EDITORIALS AND INDEPTH REPORTS ON THE IMMEDIATE DIRECT EFFECTS AS WELL AS THE RIPPLE AND LONG TERM EFFECTS AN OIL CUTOFF WOULD HAVE ON THE FRG.

3. A RECENT EDITION OF FRG TRADE PAPER, HANDELSBLATT, CONTAINS AN EXEMPLARY INDEPTH REPORT FOCUSING ON THE ECONOMIC RAMIFICATIONS OF AN OIL CUTOFF ON THE TWENTY MAJOR FRG INDUSTRIES USING LIGHT AND HEAVY HEATING OIL IN THEIR PRODUCTION PROCESSES. SIX OF THESE INDUSTRIES, THE CEMENT, CHEMICAL, IRON PROCESSING, MINERAL OIL PROCESSING, FOOD AND WOOD AND PAPER PROCESSING INDUSTRY ACCOUNT FOR 70 PERCENT OF THE FRG'S INDUSTRIAL OIL CONSUMPTION OF 32.5 MILLION TONS (1972 FIGURES). THE REPORT SPECULATES ON THE POSSIBILITY OF CONVERTING SOME INDUSTRIES FROM OIL TO COAL FOR PRODUCTION PROCESSES AND DEALS WITH THE EMPLOYMENT RAMIFICATIONS OF AN OIL SUPPLY REDUCTION. THESE FULL 20 INDUSTRIES HAVE A WORK FORCE OF 8.3 MILLION OUT OF A TOTAL OF APPROXIMATELY 22.5 MILLION WAGE AND SALARY EARNERS IN THE FEDERAL REPUBLIC.

4. THE FRANKFURT STOCK EXCHANGE HAS RESPONDED TO THE DISQUIETING MIDDLE EAST NEWS BY REGISTERING AN APPROXIMATELY 5 PERCENT DECLINE OVER THE PERIOD NOVEMBER 1-7. PETROCHEMICAL STOCKS OF BAYER, BASF AND HOECHST FARBEN FELL BETWEEN 6.8 PERCENT AND 7.5 PERCENT DURING THE SAME PERIOD. AUTOMOBILE STOCKS HAVE ALSO BEEN UNDER PRESSURE. IN A MOVE RELATED TO THE OIL CRISIS THE FORD MOTOR COMPANY OFFICE IN COLOGNE ANNOUNCED ITS INTENTION TO SHUT DOWN PRODUCTION THE WEEK OF NOVEMBER 26-30, REDUCING OUTPUT BY 5,000 UNITS, AND FURLOUGHING 7,000 EMPLOYEES. THE REASON CITED BY FORD WAS THAT THE COMPANY EXPECTED REDUCED DEMAND FROM CONSUMERS FOR LARGER CARS WITH INEFFICIENT ENGINES DUE

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TO THE POSSIBLE GASOLINE SHORTAGE. IN THIS CONNECTION, PRICES FOR OIL PRODUCTS HAVE ALSO BEEN INCREASING DUE TO MIDDLE EAST DEVELOPMENTS. GASOLINE PRICES HAVE INCREASED BY 2 PFENNIG PER LITER IN THE LAST FEW WEEKS. PRICES PAID FOR LIGHT HEATING OIL IN EARLY 1973, WERE BETWEEN DM 14 AND DM 15 PER 100 LITERS. ON NOVEMBER 7,1973, ECONOMICS MINISTER FRIDERICH'S POINTED TO PRICES OF DM 23 TO DM 29 PER 100 LITERS FOR DOMESTIC SUPPLIES WITH PRICES FOR IMPORTED LIGHT HEATING OIL BEING DM 10 PER

100 LITERS HIGHER. THS HAS PROMPTED THE GOVERNMENT TO WARN
AGAINST HOARDING AND PANIC BUYING OF OIL PRODUCTS.HILLENBRAND

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